

Message Text

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ACTION EB-07

INFO OCT-01 EUR-12 ISO-00 CAB-02 CIAE-00 COME-00
DODE-00 DOTE-00 INR-07 NSAE-00 EPG-02 FAA-00 SS-15
NSC-05 L-03 SSO-00 NSCE-00 INRE-00 /054 W
-----032108Z 060533 /64

O 032033Z JUN 77 ZFF 4

FM AMEMBASSY LONDON

TO SECSTATE WASHDC NIACT IMMEDIATE 4734

WHITE HOUSE NIACT IMMEDIATE

AMEMBASSY PARIS IMMEDIATE

C O N F I D E N T I A L SECTION 01 OF 02 LONDON 09316

WHITE HOUSE FOR NSC (DEAL), DOM POLICY STAFF (JOHNSTON)
PASS DOT (BUTCHMAN, KAMM), CAB (WEST, RODRIGUEZ)
PARIS FOR DOT SEC ADAMS AND ASST SEC DAVENPORT

E.O. 11652: GDS

TAGS: EAIR, UK

SUBJECT: US-UK CIVAIR NEGOTIATIONS: ASSESSMENT,
REPORT ON JUNE 3

1. SHOVELTON BEGAN MORNING MTG BY SAYING OF COURSE WE
WANT AN AGREEMENT, OF COURSE WE DON'T WANT A BREAK.
A. SEATTLE IS ONLY PROBLEM ON 3RD/4TH RIGHTS.
B. DESIGNATION IS MOSTLY OK, BUT NEED TECHNICAL WORK
ON FORMULA. TWO CARRIERS AT LA IS PROBLEM, WILL COST
BA 21 MILLION POUNDS IN FY 78-79.
C. CAPACITY IS OKAY, BUT NEED TECHNICAL WORK ON
MINIMUM FREQUENCIES IN PARA 4. SUGGESTED SMALL WORKING
GROUP ON CAPACITY, TARIFF MECHANISMS AND ARTICLES.
D. WILL TRADE OFF FUD FOR INDUSTRY SEAT FACTOR STANDARD.
E. WE HAVE COME REASONABLY CLOSER ON EUROPEAN 5TH
FREEDOM, PLEASE TAKE VERY SERIOUS LOOK AT PHASING OUT.
F. NEW US RTW PROPOSAL MORE EXTENSIVE THAN PRESENT.
CANNOT CONSIDER RTW ON BETTER THAN CURRENT BASIS.
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WOULD BE HELPFUL TO HAVE THIS SHOWN SEPARATELY IN ROUTE
SCHEDULE.

G. WE CAN WORK OUT SOMETHING ON CHANGE OF GAUGE, I.E.,
LIMIT ON CONNECTING TIME.

H. WE OBJECT TO COUNTRY DESIGNATIONS, WANT TO HAVE
CITIES NAMED INSTEAD.

I. PROBABLY HAVE TO ACCEPT DOUBLE DESIGNATION AT NY WITH LAKER AS 2ND UK CARRIER.

J. COULD BE MORE GENEROUS ON 5TH FREEDOM IF SOME US CARRIER WENT TO GATWICK (E.G., TO SAUDI ARABIA IF TWA MOVED TO GATWICK).

K. WANTS BERMUDA SOLUTION FOR CARIBBEAN (I.E., LET CARRIER THERE PICK A COUPLE OF US POINTS).

L. US NOTE 1 WITH ELIMINATION OF ON-LINE STOPOVER IS OKAY. (USDEL ACCEPTED.)

M. UK NOTE 2 (RESTRICTION ON THRU FLIGHTS FROM BEHIND US GATEWAYS) IS WITHDRAWN.

2. AFTER LUNCH, BOYD CALLED SHOVELTON TO SAY IF UK CAN AGREE TO DUAL DESIGNATION AT LA, US EXCLUSIVE AT SEATTLE, RTW AS WE HAVE OUTLINED, AND OTHER BEYONDS, THEN US WILL AGREE TO ELIMINATE BELGRADE, BUCHAREST, BUDAPEST, HELSINKI FROM 3 YR PHASEOUT ON 5TH FREEDOM; CHANGE BELGIUM, NETHERLAND, MOSCOW BEYOND RIGHTS FROM PERMANENT LIST TO LIST OF POINTS TO BE PHASED OUT AFTER 5 YEARS; CHANGE ARABIAN PENINSULA REQUEST TO SAUDI ARABIA; CHANGE SINGAPORE REQUEST ON RTW TO LIST OF POINTS BEYOND HK.

3. A. AT AFTERNOON MEETING, WE AGREED TO NAME POINTS IN INDIA (DELHI, CALCUTTA) RATHER THAN COUNTRY DESIGNATIONS. SHOVELTON ASKED TO HAVE FRANKFURT, NOT FRG, ON RTW; WE WOULD ACCEPT THAT AS LONG AS FRG REMAINED AS DESIGNATION FOR NON-RTW ROUTES.

B. ROGERS SAID US RESTRICTION OF 6 POINTS BETWEEN CONFIDENTIAL

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LONDON, HK WAS MEANINGLESS, SO RESTRICTION WAS REMOVED.

4. IN DISCUSSION ON CAPACITY,

A. SHOVELTON SAID THEY WOULD START WITH TOTAL ON-BOARD TRAFFIC (I.E., GIVE UP FUD).

B. COLEGATE SAID STANDARDS HELP CARRIERS KNOW WHAT IS EXPECTED OF THEM.

C. BOYD SAID LET'S AGREE ON WHAT WE ARE TRYING TO DO: AVOID EXCESS CAPACITY, PENALIZE POOR PERFORMANCE. SHOVELTON AGREED.

D. STYLES SAID WE WANTED TO MINIMIZE REGULAR GOVERNMENT INVOLVEMENT IN CAPACITY ISSUES.

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C O N F I D E N T I A L SECTION 02 OF 02 LONDON 09316

E. SHOVELTON APPRECIATED WE WERE TRYING TO PROVIDE
OPPORTUNITY FOR CARRIER INITIATIVE, BUT THIS COULD LEAD
TO EXCESS CAPACITY.
F. ROGERS WANTED TO SEE SEAT FACTOR STANDARD AGREED IN
ADVANCE. COLEGATE SAID MUST HAVE SOME KIND OF STANDARD
IN PARA 5.

5. IN SUBSEQUENT TELECON, SHOVELTON ADVISED BOYD THAT:
A. DELL IS GRATEFUL FOR CONCESSIONS; DISAPPOINTED ABOUT
LA, SEATTLE; RTW IS STRAIGHT; HAVE TO TALK TO BA RE
SAUDI ARABIA; HK ABOUT SINGAPORE; SEEM TO BE EMBRACING
EACH OTHER ON CAPACITY CONTROL. DOESN'T WANT US TO
BREAK OFF.
B. HE COULD GUARANTEE THAT THERE WOULD BE NO POLITICAL
CRISIS OVER THIS,
C. WE WOULD HAVE AN AGREEMENT.

6. COMMENT: USDEL AND EMBASSY BELIEF IS THAT PM IS NOT
IN POSITION TO CONFRONT US AS LONG AS ADVERSE IMPACT ON
BA IS WITHIN REASON. BOYD CONCLUDES THAT WE ARE GOING
TO GET AGREEMENT ALONG LINES USDEL HAS ADVANCED THIS
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WEEK. THEY MAY BE SETTING UP SAUDI ARABIA AND
SINGAPORE FOR TRADE WITH SEATTLE. (USDEL WILL NOT
ACCEPT).

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